

Message Text

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60/44

ACTION SS-30

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P 271605Z SEP 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 453

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EXDIS

CORRECTED COPY - MRN: 5892 VICE 00000

EO 11652: GDS

TAGS: EMIN, CI

SUBJ: COPPER: KENNECOTT AND GOC REACH AD REFERENDUM AGREEMENT

REF: SANTIAGO 5209

1. MICHAELSON AND KENNECOTT TEAM NOTIFIED EMBASSY TODAY THAT AD REFERENDUM SETTLEMENT HAD BEEN REACHED WITH JULIP PHILIPPI AND RAUL SAEZ. KENNECOTT IS TO RECEIVE \$88 MILLION GROSS COMPENSATION WHICH, AFTER PAYMENT OF BACK CHILEAN TAXES, WILL YIELD \$67 MILLION NET. OF THIS, AT LEAST \$7 MILLION IS TO BE PAID KENNECOTT AT TIME OF AGREEMENT - ENOUGH TO MEET THE US TAXES KENNECOTT WILL HAVE TO PAY ON COMPENSATION. REMAINDER WILL BE IN NOTES SPREAD OVER TEN YEARS AT 10 PERCENT INTEREST (INTEREST SUBJECT TO 40 PERCENT CHILEAN TAX). THERE IS PROVISION FOR FASTER PAYMENT OF PRINCIPAL IF KENNECOTT WILL ACCEPT CONVERTER CLEANINGS (AS WAS PROVIDED IN CERRO AGREEMENT). MICHAELSON SAID THAT LEGAL FRAMEWORK OF THIS AGREEMENT VERY SIMILAR TO GOC-ANACONDA ACCORD. KENNECOTT HAS RETAINED LOCAL LAWYER TO TIDY UP LEGAL DETAILS.

2. MICHAELSON PLANS LEAVE SANTIAGO SEPT 28 AND PRESENT DRAFT SETTLEMENT TO KENNECOTT BOARD AROUND OCT 18. MICHAELSON SAYS THAT ALTHOUGH SETTLEMENT SUM IS LOW, HE BELIEVES IT IS BEST THAT CAN BE ACHIEVED AND ANTICIPATES BOARD APPROVAL. HE ALSO EXPECTS GOC ACCEPTANCE. IF ALL GOES AS PLANNED,
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MICHAELSON WILL RETURN SANTIAGO FOURTH WEEK OF OCTOBER FOR

FORM IDDWGNATURE.

3. MICHAELSON SAID HE WILL CONTACT DEPUTY ASSISTANT SECRETARY
SHLAUDEMAN WHEN HE RETURNS TO THE US.
POPPER

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